

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, DECEMBER 1, 2009**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, December 1, 2009, commencing at 7:00 a.m.

Present: Council Member Hitchcock, Council Member Johnson, Mayor Pro Tempore Katzakian, Council Member Mounce, and Mayor Hansen

Absent: None

Also Present: City Manager King, City Attorney Schwabauer, and City Clerk Johl

B. Topic(s)

B-1 First Quarter Fiscal Year 2009/10 Water, Wastewater, and Electric Utility Department Financial Reports (CM)

City Manager King provided a brief introduction to the subject matter of the utility quarterly reports.

Water Services Manager Charlie Swimley provided a PowerPoint presentation regarding the Public Works Water/Wastewater Fiscal Year 2010 quarterly update. Specific topics of discussion for water and wastewater utilities included operating results, cash flow summary, cash balances, and utility accomplishments.

In response to Council Member Hitchcock, Mr. Swimley stated the \$2 million figure that has not been expended is related mostly to materials and some professional services.

In response to Mayor Hansen, Mr. Swimley stated he anticipates the biosolid efforts will be done during the next cycle, Central Valley Clean Water Association (CVCWA) is challenging the State Board decision, litigation is in its early stages, and settlement may still be possible. Mr. Swimley stated the City is not an individual party to the lawsuit but rather a part of the CVCWA group and will continue to operate under the existing permit in the interim.

In response to Council Member Mounce, Mr. Swimley stated the first infrastructure project will happen next year and every other year thereafter per City Council policy. Mr. King stated infrastructure Project No. 4 was accepted by the City Council at the last meeting.

In response to Council Member Johnson, Mr. Swimley stated there are currently six granular activated carbon treatment systems in service and they should last four to five years.

In response to Mayor Hansen, Mr. Sandelin stated water impact mitigation funds are used to construct oversize mains and new wells, they are collected with new homes and building construction, and \$252 was collected last year due to the industry slow down.

In response to Council Member Hitchcock, Mr. Sandelin stated the PCE/TCE operating expenses include installing equipment and facilities. Mr. Sandelin stated the expenses are all related to clean-up efforts.

In response to Council Member Mounce, Mr. Sandelin confirmed that the \$1 million related to wastewater treatment is being tracked through Council Communications and on the books.

In response to Council Member Hitchcock, Mr. Sandelin confirmed that the property owners near Flag City were notified that they were exceeding salinity levels and the enforcement ordinance is being applied.

In response to Mayor Hansen, Mr. Sandelin stated nitrogen cannot exceed the 425 figure per acre. Mr. King stated that, if the City did not have land application, there would be increased treatment efforts, and the City currently collects 20% of the gross product as the lease amount.

Interim Electric Utility Director Ken Weisel provided a PowerPoint presentation regarding the Electric Utility Fiscal Year 2010 quarterly update. Specific topics of discussion included an overview, financial results, operating expenditures, power supply, power sales, billing statistics, Energy Cost Adjustment (ECA) revenue, Northern California Power Agency (NCPA) general operating reserve, "open position," and reserve policy.

In response to Council Member Hitchcock, Mr. Weisel stated the \$4.6 million figure represents a little more than one quarter of the year.

In response to Council Member Mounce, Mr. Weisel stated in the low load year nothing happens with the transmission system and when the regular load returns it places greater stress on the transmission.

In response to Council Member Hitchcock, Mr. Weisel and Deputy City Manager Jordan Ayers confirmed the sales projection on the billing statistics are for the quarter, and in terms of revenue, all areas are a bit lower due to the weather, economy, and conservation.

In response to Council Member Mounce, Mr. Weisel confirmed that the ECA is lower than projected.

In response to Council Member Hitchcock, Mr. Weisel and Mr. Ayers stated the total number of customers remain similar and additional information could be provided broken out by customer class and business usage.

In response to Mayor Hansen, Mr. Weisel stated he is not sure if there is an additional power purchase needed this year because there is a small open position and there is diversity in the portfolio.

In response to Council Member Johnson, Mr. King stated the municipal insurance bond business is pretty much gone, there is an expectation that public agencies should have two ratings, Standard & Poors rates the City at an A-, Fitch rates the City at a BBB+, Moodys ratings are tied in with NCPA refinancing, and ratings are based on days cash at hand.

In response to Mayor Pro Tempore Katzakian, Mr. King stated the ratings factor in for borrowing, power acquisition, and credit references for longer-term purchases.

In response to Mayor Pro Tempore Katzakian, Mr. Weisel confirmed that the policy for the open position is a maximum of 10% for the current year, 25% for the next year, and 50% for the third year.

In response to Council Member Johnson, Mr. King stated Moodys will look at the NCPA pool aggregately and the City is a part of that pool.

In response to Council Member Hitchcock, Mr. King confirmed that the ratings agencies look at an actively engaged City Council, the core group of qualified staff, and collective capability as a

group when considering ratings.

In response to Mayor Hansen, Mr. King confirmed a formula was used for what the current reserve policy should be and approximately \$17 million is available in case of an emergency or catastrophic event.

City Council briefly discussed the current reserve policy, the need to review the current policy and make adjustments, and the possible reasons to increase or decrease the reserve amount.

In response to an inquiry from Myrna Wetzel, Mr. Sandelin stated there is no connection to the Woodbridge Irrigation District water.

In response to an inquiry by Myrna Wetzel, Mr. King stated the terms by which Lodi Electric Utility is referred to may vary some but they refer to the same entity.

C. Comments by Public on Non-Agenda Items

None.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 8:06 a.m.

ATTEST:

Randi Johl
City Clerk



**CITY OF LODI
COUNCIL COMMUNICATION**

AGENDA TITLE: First Quarter Fiscal Year 2009/10 Water, Wastewater and Electric Utility Department Financial Reports

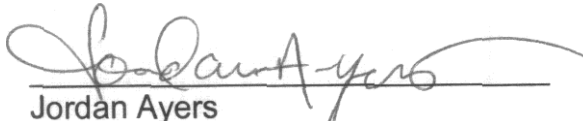
MEETING DATE: December 1, 2009

PREPARED BY Deputy City Manager

RECOMMENDED ACTION: Receive utility financial reports for the first quarter of Fiscal Year 2009/10 ending September 30.

BACKGROUND INFORMATION: In accordance with the Lodi Municipal Code, quarterly financial reports are to be prepared for the Water, Wastewater, and Electric Utilities. Highlights of the operations and financial performance of each utility will be presented at the meeting of December 1, 2009.

FISCAL IMPACT: None directly related to the preparation of the report. However, the presentation is intended to keep the Council apprised of the financial conditions of the major municipal utilities.


Jordan Ayers
Deputy City Manager;

APPROVED: 
Blair King, City Manager



Public Works Department Water/Wastewater

FY 10 Quarterly Update (Through September 30, 2009)

City Council Shirtsleeve Session
December 1, 2009

Wastewater Operating Results

(Ending September 30, 2009)

	Budget	Actual	% of Budget
Personnel	2,842,298	590,047	21%
Supplies, Materials, Services	2,198,728	201,600	9%
Equipment, Land, Structures	49,082	11,009	22%
Other Payments	172,357	100,770	56%
Communication & Transportation	925,550	225,530	24%
Work for Others	43,700	0	0%
Total Operating Expenses	6,231,715	1,128,956	18%

Wastewater Fund
Cash Flow Summary
Operations
(Ending September 30, 2009)

Revenue	
Sales	2,413,819
Other (interest, rent, septic, misc.)	102,413
Total Revenues	2,516,232
Expenses	
Operating	1,128,956
Debt Service	(36,438)
Cost of Services Payment To General Fund	362,870
Total Expenses	1,455,388
Net Increase in Undesignated Reserves	1,060,844

Wastewater Funds

Cash Balances

(Ending September 30, 2009)

Operating (170)	3,039,215
Utility Capital / Infrastructure Replacement (171)	4,140,953
Capital Reserve (172) (Fund used to pay White Slough COP Debt Service)	(3,669,892)
Capital Reserve Restricted Assets (172) (White Slough COP Remaining Proceeds)	5,545,869
IMF (173)	2,064,838
Total	11,120,983

Water

Operating Results

(Ending September 30, 2009)

	Budget	Actual	% of Budget
Personnel	1,307,549	287,499	22%
Supplies, Materials, Services	737,011	108,317	15%
Equipment, Land, Structures	4,000	1,583	40%
Other Payments	1,464,250	615,239	42%
Communication & Transportation	917,040	264,495	29%
Work for Others	345,000	0	0%
Total Operating Expenses	4,774,850	1,277,133	27%

Water Fund

Cash Flow Summary

Operations

(Ending September 30, 2009)

Revenue	
Sales	1,791,275
Other (interest, rent, misc.)	32,135
Total Revenues	1,823,410
Expenses	
Operating	1,277,133
Debt Service	13,547
Cost of Services Payment To General Fund	265,031
Total Expenses	1,555,711
Net Increase in Undesignated Reserves	267,699

Water Funds

Cash Balances

(Ending September 30, 2009)

Operating (180)	2,359,399
Utility Capital / Infrastructure Replacement (181)	12,362,015
IMF (182)	(464,830)
PCE/TCE Settlements	14,301,792
PCE/TCE Rates (185)	1,519,409
Total	30,077,785



Water / Wastewater Utility Accomplishments

Operational

- Water Distribution
- Water Production
- Collection System
- Wastewater Treatment
- Regulatory
 - SSO's
 - Discharge Violations
 - Monitoring and Reporting

Questions???



Electric Utility Department

FY10 Quarterly Update

(Through September 30, 2009)

City Council Shirtsleeve Session
December 1, 2009



Overview

- Net Power Costs up ~ \$370K from budget
- Non-power Costs down ~ \$1.6M
- Revenues down about \$2.3M
- NCPA Cash Reserve (GOR) up \$10K
- FY10 power supply is 92% hedged



FY10 Financial Results

Quarter Ending September 30, 2009

Cash Flow		
Revenue	Projected	Actuals
Sales Revenues	23,393,727	21,386,510
Other Revenues	295,435	1,163
Total Revenues	23,689,162	21,387,673
Expenses		
Purchase Power	10,545,899	10,913,687
Non Power	4,614,665	2,993,300
Total Expenses	15,160,564	13,906,987
Net Revenue for Debt Service	8,528,598	7,480,686
Debt Service		
Net Revenue	6,736,282	5,688,370
In-lieu Transfer to General Fund	1,744,168	1,744,168
Net Increase (Decrease)	4,992,114	3,944,202
Beginning Balance	12,003,103	12,003,103
GOR	5,904,783	5,914,946
Ending Balance	22,900,000	21,862,251



Operating Expenditures

	FY10 Budget	FY10 Q1	% of Budget
Personnel	6,214,474	1,345,807	22%
Supplies, Materials, Services	2,070,264	423,718	20%
Equipment, Land, Structures	939,029	124,247	13%
Other Payments	1,143,849	93,944	8%
Communication & Transportation	68,750	15,803	23%
Total Operating Expenses	10,436,366	2,003,519	19.2%



Power Supply

	Estimated	Actual	Change	% Change
Generation	\$ 9,137,116	\$ 8,896,507	\$ (240,609)	-2.7%
Transmission	\$ 1,759,941	\$ 2,011,563	\$ 251,622	12.5%
Management Services	\$ 504,318	\$ 504,318	\$ -	0.0%
Third Party Revenue	\$ (855,476)	\$ (498,701)	\$ 356,775	-71.5%
Adjustments				
TOTAL	\$ 10,545,899	\$ 10,913,687	\$ 367,788	3.4%



Power Sales

	Q1 Projections	Q1 Actuals	% Difference
kWh	134,179,766	131,450,870	-2.0%
Revenue	\$ 23,393,727	\$ 21,386,510	-8.6%

	Year	HDD	Normal	CDD	Normal
July	2009	0	0	357	390
August	2009	0	0	335	363
September	2009	4	5	309	247
FY10 Total		4	5	1001	1000



Billing Statistics

Projected			
Customer Class	kWh Sales	Revenue	Average Rate
Residential	46,419,289	\$ 9,746,045	\$ 0.2100
Small Commercial	49,360,860	\$ 9,030,265	\$ 0.1829
Large Commercial/Small Industrial	10,349,910	\$ 1,823,717	\$ 0.1762
Industrial	28,049,707	\$ 2,793,700	\$ 0.0996
TOTAL	134,179,766	\$ 23,393,727	\$ 0.1743

Actual			
Customer Class	kWh Sales	Revenue	Average Rate
Residential	48,750,851	\$ 8,909,820	\$ 0.1828
Small Commercial	47,341,799	\$ 8,255,454	\$ 0.1744
Large Commercial/Small Industrial	10,716,617	\$ 1,667,240	\$ 0.1556
Industrial	24,641,603	\$ 2,553,996	\$ 0.1036
TOTAL	131,450,870	\$ 21,386,510	\$ 0.1627



ECA Revenue

Customer Class	Q1
Residential	\$ 295,418
Small Commercial	280,296
Large Commercial/Small Industrial	64,863
Industrial	147,550
Total ECA Revenue	\$ 788,127



NCPA “GOR”

GOR levels

- \$5,904,783 (June 30, 2009)
- \$5,914,946 (Sept 30, 2009)

— Interest income of \$10,163

\$10,163 Increase



FY10 “Open Position”

	Lodi Total Surplus/(Deficit)	Load	% of Load	Lodi HLH Surplus/(Deficit)	Load	% of Load	Lodi LLH Surplus/(Deficit)	Load	% of Load
July 2009		48,176	0.00%		31586	0.00%		16590	0.00%
August		48,722	0.00%		31910	0.00%		16812	0.00%
September		43,019	0.00%		27556	0.00%		15463	0.00%
October		37,393	0.00%		24526	0.00%		12867	0.00%
November		34,170	0.00%		20,979	0.00%		13,191	0.00%
December	(5,862)	36,792	-15.93%	(3,362)	23,342	-14.40%	(2,499)	13,450	-18.58%
January 2010	(5,245)	36,569	-14.34%	(3,028)	22,356	-13.54%	(2,217)	14,213	-15.60%
February	(3,092)	32,505	-9.51%	(1,952)	21,011	-9.29%	(1,140)	11,494	-9.92%
March	(1,495)	34,971	-4.27%	(988)	23,058	-4.28%	(507)	11,913	-4.26%
April	(2,283)	34,561	-6.60%	(3,307)	22,453	-14.73%	1,025	12,108	8.46%
May	(1,311)	37,831	-3.47%	(1,963)	23,554	-8.33%	652	14,277	4.57%
June	(3,011)	42,840	-7.03%	(2,780)	28,592	-9.72%	(231)	14,248	-1.62%
FY Total	(22,298)	467,549	-4.8%	(17,380)	300,923	-5.8%	(4,918)	166,626	-3.0%
Bal Yr Total	(22,298)	256,069	-8.7%	(17,380)	164,366	-10.6%	(4,918)	91,703	-5.4%



Reserve Policy

- June 30, 2009 reserve balance is \$17.9 million
 - Initial target was \$12.9 million by FY 2010
- Initial reserve formula
 - Operating reserve of 45 days of budgeted operating costs
 - Capital reserve equals largest local contingency (substation)
 - Rate stabilization reserve equals 20% of projected market power costs
- Review every three years for new targets